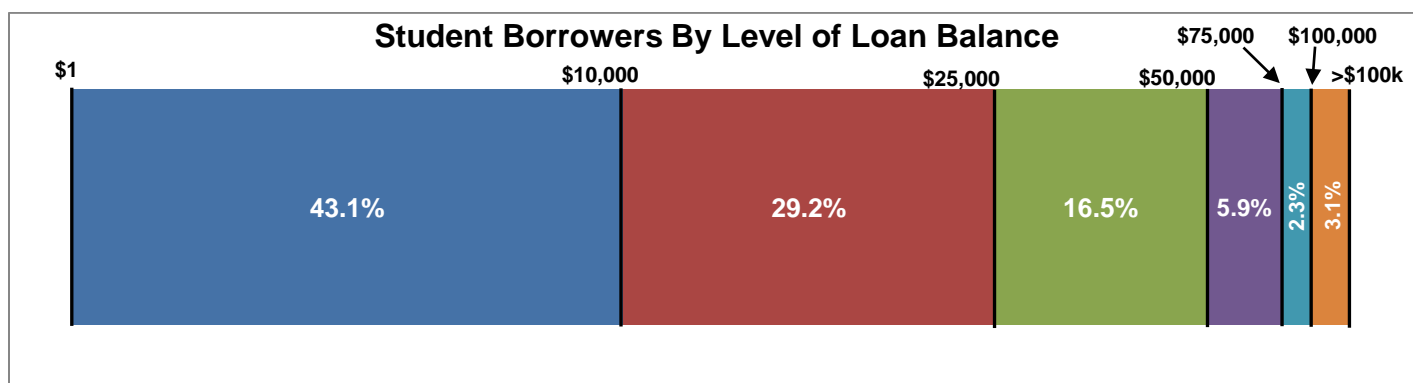


Looking More Closely at Student Debt

SUMMARY—Americans are concerned about the cost of a college education and the impact of student loan debt, particularly in difficult economic times. They want a high-quality education, and they want it to be affordable. The following information on student debt is intended to provide context for the conversation about this important issue, particularly with respect to AAU institutions. The data show that: (1) among a large national sample of Americans with outstanding student loans, median¹ student debt is less than \$13,000; and (2) students at AAU institutions are less likely to graduate with debt than those at all four-year public and private non-profit universities, and their default rates are significantly lower.

Average² Debt Does Not Tell the Whole Story—Using data from the credit reporting company Equifax, the Federal Reserve Bank of New York (FRBNY) issued a report earlier this year on student loan debt among a large sample of Americans of different ages and educational attainments. About 37 million (15%) of the 241 million Americans with an Equifax credit report hold outstanding student loan debt, totaling roughly \$900 billion. Among those with debt, FRBNY found that while the average (or mean) dollar amount of student loan balance per borrower was \$23,300, the median debt was only \$12,800. This shows that the average is being pushed higher by a relatively small number of borrowers with very high loan balances. Indeed, 43% of borrowers had less than \$10,000 in loans, and 72% had less than \$25,000. Note: this sample includes both federal and non-federal loans, and includes individuals with graduate and professional school debt as well as debt associated with undergraduate degrees.



Data from: <http://libertystreeteconomics.newyorkfed.org/2012/03/grading-student-loans.html/>

The data from FRBNY provide a big picture perspective on student loan debt. The information below focuses on debt held by recent graduates who have earned undergraduate degrees.

Debt Among College Graduates Varies Significantly by Sector—The Department of Education's National Postsecondary Student Aid Study of 2007 and 2008 graduates shows amount of debt by institution type and highlights the significant fraction of graduates with no debt at public and private non-profit institutions.

- For all public four-year universities, 39% of graduates had no debt³, 55% had \$10,000 or less, 82% had \$25,000 or less, and 98% of graduates had \$50,000 of debt or less. The numbers for public research and doctoral universities are nearly identical.
- For all private non-profit four-year universities, 29% of graduates had no debt, 40% had \$10,000 or less, 70% had \$25,000 or less, and 93% had \$50,000 of debt or less. For private research and doctoral universities, 38% of graduates had no debt, 48% had \$10,000 or less, 73% had \$25,000 or less, and 93% had \$50,000 of debt or less.
- At for-profit institutions, only 4.1% of graduates had no debt and 67% had debt of more than \$25,000.

Percentage of Graduates from AAU Institutions With Debt Is Below National Levels—Data on debt at the institutional level are available from universities that report through the Common Data Set (CDS).⁴ According to this

¹ The median value represents the 50th percentile; i.e. 50% of student loan balances are above this level and 50% are below it.

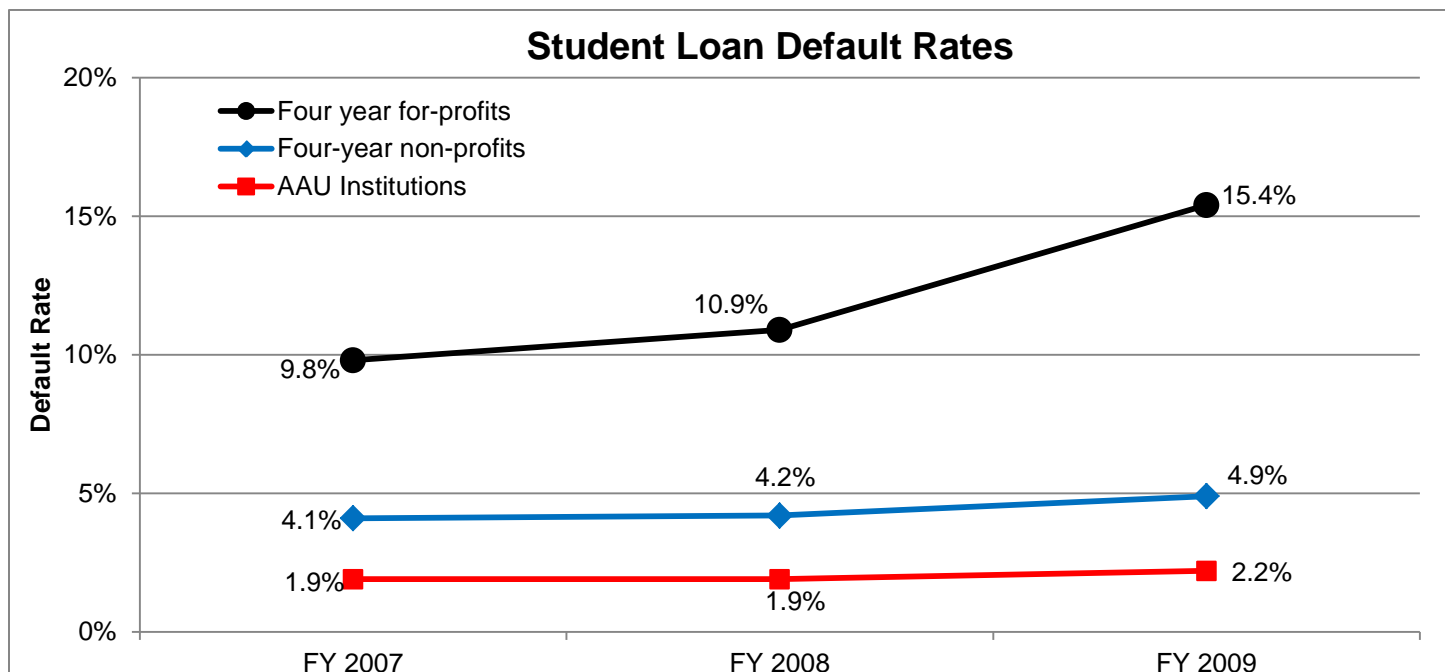
² The average value represents the total amount of debt divided by the number of debtors.

³ Cumulative amount borrowed for undergrad for graduating seniors, 2007 and 2008.

⁴ <http://www.commondataset.org/>. It is not surprising that the figures differ slightly between CDS and the Department of Education survey because one relies on institutional reporting and the other is a sample-based survey of students.

source, 42% of 2010 college graduates nationally had no debt. For four-year public universities, the figure was 44%, and for four-year private non-profit universities the figure was 35%. AAU universities reporting through CDS compare favorably with these national figures: 49% and 54% of graduates from AAU public and private institutions, respectively, had no debt. Overall, about half of bachelor's degree recipients from AAU institutions in the Class of 2010 had no debt.⁵

AAU Default Rates Are Below National Levels—According to Department of Education data, graduates of AAU institutions are far less likely to default on their student loans than students at four-year public and private institutions overall. Graduates of AAU public universities default at less than half the overall rate of students at public four-year institutions; graduates of AAU private universities default at one-third the overall rate of students at private, non-profit institutions. Graduates of four-year for-profit institutions default on their loans at more than twice – and for FY 2009, more than three times – the rate of graduates of four-year non-profit universities.



Data from <http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html>

Through Tough Economic Times, Graduates of AAU Universities Have Fared Better With Respect to Debt—

Data from the CDS and The College Board show trends in student debt over time:

- According to the CDS, the percentage of college students graduating with no debt has been essentially flat for the past 10 years (in 2000-01 the figure was 43%; in 2010 it was 42%).
- At four-year public universities, the share of students graduating with no debt stayed roughly the same, declining slightly from 46% to 44% between 2003-04 and 2009-10. For AAU public universities, the comparable figure declined from 51% to 49%.
- At four-year private non-profit universities, the percentage of students graduating with no debt also stayed roughly the same, changing from 36% to 35% between 2003-04 and 2009-10. The percentage of students graduating with no debt at AAU private universities increased over the same period from 51% to 54%.
- For those students graduating with debt, the average amount of debt for those at AAU institutions increased by about \$2,850 in inflation-adjusted dollars between 2003-04 and 2009-10; for college graduates nationwide, the increase was \$3,400.

⁵ Some of the data in this bullet and the “trends” bullet come from The Institute for College Access & Success. College InSight, <http://college-insight.org>. Student debt and undergraduate financial aid data are licensed from Peterson's Undergraduate Financial Aid and Undergraduate Databases, (c) 2011 Peterson's, a Nelnet company, all rights reserved.